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DCI/IC 76-1913

12 January 1976

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : FY-75 KIQ Performance Evaluation Summary

REFERENCE : A. USIB/IRAC D-22.1/38, 9 June 1975
Subject: Guidance and KIQ Performance Reporting Instructions

B. Memo to DCI, 31 December 1975
Subject: FY - 75 KEP from DIA

C. Memo to DDI, 13 January 1976,
Subject: Method of Costing KIQ-Related Intelligence Products signed [] 25X

Memo to D/DCI/IC, 13 January 1976
Subject: FY 1975 KEP, signed [] 25X

1. This memorandum provides a rationale for the title and cover design for the subject report and discusses the comments by DIA and DDI concerning KEP methodology.

2. The covers of all KIQ/KEP documents distributed to the Community in 1974 and 1975 have had identical layouts-- "Director of Central Intelligence"--and a title. The purpose and use of the KEP was set forth in Reference A. The content of the subject report was outlined, and approved, (by inference) as part of the IC action culminating in the DCI's dispatch on 28 November of individualized letters to each NFIP manager concerning individual program performance on FY-75 KIQs.* The title of the subject document was an integral part of all working drafts provided the D/DCI/IC and DCI beginning on 19 December. No comments or recommendations with respect to title or text were received prior to the D/DCI/IC's release of the document for printing on 31 December.

3. Reference B, DIA's response to the DCI's 28 November individualized memoranda, which was based on preliminary data, takes issue with KEP methodologies and expresses reservations over the aggregation and use of DIA provided data.

* This action was in accordance with DCI commitments made at the IRAC meeting of 10 November in which selected interim FY75 KEP data was presented.

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• With respect to product counts, KEP reporting instructions (Reference A) requires a the identification of NFIP production elements engaged in KIQ-related production activities and the title of KIQ-related products emanating from the activities of those elements; and b the KIQ-related operations expenditures of those activities at the end of the performance period (supplied). By its own volition, DIA initiated a quarterly reporting system and required that reports be provided by all DIA divisions and offices. While these procedures may have well served DIA management needs, the lack of verification and consolidation of these data within DIA before forwarding them to ICS made it impossible (as pointed out in the summary report) to eliminate double-counting or to "relate individual products (and activities) to individual KIQ production commitments." The opportunity for double-counting through lack of consolidation was materially increased by DIA's decision to forward data sheets from each office and section quarterly. Internal DIA procedures (no consolidation and no review before forwarding to ICS) rather than KEP methodology is the root of the problem addressed by DIA.

• Similar comments are applicable with respect to Encountered Problems. There is no rational explanation for problems identified as manpower in tabular presentations to be explained in amplifying remarks as being related to lack of data or processing methods.

• The costing concepts criticized by DIA's memo were developed on the basis of FY-74 KEP pilot program experience. They were discussed at length with committee members (DIA included) in February and March of 1975; specifically addressed at the USIB meeting of 2 April; and elaborated at length in Reference A which was personally approved by the DCI. DIA comments relating to aggregation and CIRIS are incomprehensible. CIRIS is a management information system in which each DIA production division--DIA, DT, DE--is a reporting entity and in which reporting entities aggregate to DIA program totals. Any problems relating KEP activities to DIA program totals is an internal DIA management problem, not a methodological problem relating to KEP.

• DIA's comments on supervisory management costs are unreal--one-third of a man year of effort for

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editing, calculating and annotating data due on 1 August, but delivered finally on 20 October.*

- The protest on the lateness of completion of strategies and promulgation of performance reporting guidelines are well taken. USIB review of strategies was not completed until early March, and NIO/ICS differences on the NIOs role in assessing performance delayed issuance of reporting instructions until 9 June.

4. Reference C, two internal DDI memoranda addressing the DCI's 28 November letter to the DDI, rationalize DDI costing methodology, and provides a proposed response to some of the DCI's questions which were based on aggregate analysis of DDI provided KEP data.

- DDI costing of KIQ-related expenditures, by its own election, was based narrowly on products found only in PSS, and did not include--as requested in the 9 June KIQ Performance Reporting Instructions--"New or unique products stimulated by the KIQ, and all other KIQ-related products eventuating from on-going production activities." This instruction was amplified in a following paragraph to include "--finished intelligence with respect to any aspect of the KIQ." These particulars were further expanded in a KIQ costing attachment to the Instructions which explicitly defined KIQ costs as costs deriving from operations and operations support activities carried out, or undertaken in KIQ-related activities. It would appear, that DDI reservations on KEP costing derive from internal subjective interpretation of KEP instructions, rather than from deficiencies in KEP methodology.

- DDI's rationalization of apparent imbalances in KIQ efforts is an elaboration of the results of the costing approach taken of the DDI. The question asked in the Instructions (and the personalized note) was not why was so much spent on some KIQs, but rather was it necessary to spend so much on a very few KIQs, when spending a little more on some might well significantly enhance the degree of consumer satisfaction on the KIQs taken as a whole. As pointed out in the 9 June paper on methodology," as KEP findings raise questions about relative weights of effort, collector contribution, and

* Subsequent claims that by ICS assuming a data scrub responsibility would save DIA 20,000 man hours of labor are equally preposterous. ICS spent 1 1/2 weeks of two secretaries's time to police this data and complete the entry sheets for computer processing.

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efficiency of collection and production methods and effort, studies will be initiated to seek explanations of apparent disparities in cost-effectiveness, or to demonstrate actual cost-benefit relationships." It would appear from the DDI response, that the process was succeeding admirably.

5. On balance, it seems clear that in the main, the KEP has provided insights into resource utilization and identified apparent anomalies and inefficiencies in NFIP program execution at a reasonable management cost. One might well conclude that the approach and methodology set forth in the FY-75 Guidance and Instructions was a useful first step in an evolutionary approach to evaluating Community performance on a substantial and very important portion of Community effort.

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28 NOV 1975

MEMORANDUM FOR: Director, Defense Intelligence Agency
SUBJECT : FY-75 KEP

1. In response to my request, the Intelligence Community Staff has provided an interim report on the status of the FY-75 KEP (copy attached).

2. The preliminary conclusion, based on NIO subjective performance assessments, and performance data provided by Community producers and collectors, is that about two-thirds of the FY-75 KIQs were satisfactorily answered--on 42 KIQs the IC essentially achieved the production and collection goals set forth in applicable strategies--at a cost of about one-third of the IC's O&M operating budget for FY-75.

3. While there were, as expected in such a 'first' effort, a number of ambiguities and some inconsistencies, it seems clear that the process is workable and that useful findings will emerge. Recognizing that GDIP/SRV must address lesser priority national and departmental/tactical needs as well as KIQs, it is, nonetheless, a little surprising to note the low percentage of O&M expenditures these programs devoted to KIQ-related activities; 10% and 13%, respectively.

4. Considering production alone, performance data provided by DIA shows that while KIQ-related GDIP expenditures represent 44% of total Community effort, [REDACTED] involved are less than 15% of total production expenditures for the year. The GDIP/SRV collection/processing performance data provided [REDACTED] Committees shows that these two programs accounted for 4%
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of the Community's KIQ-related [redacted]

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[redacted] expenditures. (I was interested to note that in NIO eyes, the relative contribution of the military attaches was one-sixth that of the Foreign Service and one-half that of non-NFIP organizations--Treasury, Agriculture, ERDA, Commerce, etc..) While providing the full range of production performance data requested by KEP reporting instructions, the information on products and producers was often ambiguous, sometimes repetitious, and frequently inconsistent. This situation in part resulted from DIA's decision to acquire data quarterly, and the manner in which individual data sheets were edited, which provided opportunities for 'double' counting and delay in meeting suspense dates.

5. Since the concept of evaluating Community performance by relating outcome and performance to priorities and resource expenditures appears sound, we must continue to put the effort and discipline into the process that success demands.

6. To firmly establish the KEP as a viable and productive effort requires:

a; continued active DIA participation in the development of KIQ collection and production strategies--both directly and through appropriate USIB committees--to ensure a common approach and structure, consistency of detail in the identification of internal goals and objectives, and precision in specifying the tasks for which commitments are to be sought;

b. continued examination of DIA intelligence production schedules to assure that the scope and detail of publications pertinent to KIQs are in consonance with the production goals and tasks set forth in KIQ strategies;

c. care be exercised to identify all KIQ-related products, services and support;

d. timely responsiveness to reporting guidance and instructions;

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e. review of the practices described in paragraph 3, above, to enhance the credibility of production data;

f. precision and consistency in reporting titles/subjects, types of products, and producing organizations/offices; and

g. recommendations for 'measuring' intelligence production and procedures for insuring an appropriate share of basic intelligence activities and support are attributed to KIQ efforts.

7. The KEP continues to be an important endeavor, one that must be established and regularized as soon as possible. I am counting on your continued support in this effort.

~~W. E. Colby~~

W. E. Colby

Attachment

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13 January 1976

A C T I O N

NOTE FOR: Mr. Proctor

FROM : CBSUBJECT : Method of Costing KIQ-Related
Intelligence Products

Attached are two pages of suggested instructions issued by the IC Staff for costing KIQ Production Performance. The purpose of these instructions is to solve for man hour salary costs for each KIQ then add to that figure an estimate of O&M costs that is related. No one in the production offices liked this suggested methodology. We used a softer more judgmental approach and probably came up with better numbers than we would have by using the IC guidance. It was our understanding that the production costing for KEP 1975 was to be based on product. If you had no product then you could not play this costing game. These costs were to be based on what the direct operating costs were for the entity to produce their product.

The Agency used a product listing from the Coverage and Sources Survey modified by the offices to add products which were not originally included. I then discussed with each office the products

related to the specific KI²Qs using their gross operating expenditure for FY 75 that was provided by the CIRIS. The approach was relatively unscientific but it did develop a "best estimate" of what we spent by office to produce on each of the KI²Qs. Since we did this job the IC Staff has developed a production expenditure statement that is broader than strict product relationship. If we used the recently stated definition which is starred on page 8 of the KEP 75 performance report summary, we probably would have allocated dollars for which there was no identifiable product in FY 75.

I have made a few marginal notes on the summary which probably are of no consequence since the data can be analyzed and intepreted in ways different than that chosen by the IC Staff.

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13 January 1976

MEMORANDUM FOR: Deputy to the DCI for the
Intelligence Community

ATTENTION : Chief, Collection and Processing
Assessment Division

SUBJECT : FY 1975 KEP

REFERENCE : DCI Memo to DDI, same subject,
dated 28 November 1975

1. The DCI transmitted to the DDI an interim report on the status of the FY 1975 KEP. In the covering memorandum transmitted as reference, the DCI raised several questions about the DDI/DDS&T production data inputs which were described as being difficult to rationalize. Since the DCI did not ask for a response, and it was quite obvious the IC Staff raised the questions for Mr. Colby, a comment on each is herewith provided to clarify some of the data.

2. These comments have been discussed with Mr. Proctor and have his concurrence. He also understands that they are being provided directly to the IC Staff and not back through Mr. Colby. If there are other questions, we will be pleased to attempt to provide answers or explanations.



CIA FY 1975 KEP Production Monitor

Attachment:
Comments on KEP 1975 Questions

Q. (a) Why were only 1/3 of DDI FY 1975 intelligence production expenditures related to KIQs?

A. DDI O&M dollars provided by the IC Staff using FY 1975 CIRIS data were used as a basis. CGAS using the product listings by KIQ from the Publications Source Survey, consulted with each office to determine what O&M dollars were applicable to each of the KIQs on which they produced intelligence products. This is a key factor - our allocation of dollar costs were related to product. The 1/3 used in the question included CRS and OGCR. Much of OGCR's work in support of U.S. negotiations were not included as a "product" because of its highly restricted dissemination. In addition, OGCR's work on [redacted] became an input to OER's product and no accounting was made for OGCR's input. Similarly, other OGCR work results in inputs to the final product of other production offices of the Agency without accounting for OGCR cost. CRS [redacted] [redacted] serves primarily as support and services organizations to the CIA production process. In other words, these two offices are not high rate intelligence producers in the KIQ/KEP sense. For the major production offices of the DDI and DDS&T, 69% of their O&M dollars were KIQ related; OCI, OER, OSR, and OPR expended 53.5% of their aggregated O&M dollars on KIQ related products. These figures show only that by best estimate this is what we expended on KIQ production during FY 75. It appears reasonable that the major producers in the DDI spend about 1/2 of the production dollars on KIQs. Less than 1/3 or more than 2/3 would seem to be open to question or difficult to rationalize.

From this it is clear that better accounting procedures are necessary to obtain the full costs of product by accounting for the costs of major contributions (i. e., intermediate products) from one office into the products of some other office.

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Q. (c) While it seems appropriate that three-quarters of OCI's FY 75 KIQ effort (34% of OCI's total O&M budget) was focused on the 20 KIQs related to assessment of political and security situations -- Substantive Objective IV -- it is difficult to understand why those current intelligence expenditures for this Substantive Objective.

A. The objective most appropriately fits OCI's current intelligence production responsibilities because political and security type situations represent highly dynamic event-oriented intelligence problems. It would be difficult to rationalize an OCI expenditure of less than 50% for these KIQs.

Considering the allocation of O&M dollars for these 20 KIQs relative to what each office spent for production on all the KIQs: OCI/72%, OER/13%, OSR/15%, OPR/21%. Office expenditures on these KIQs relative to the total O&M budget shows: OCI/34%, OER/6%, OSR/10%, OPR/19%. Frankly, the DDI is surprised that the figures for OER, OSR, and OPR are so high for this category of KIQs which is the primary responsibility of OCI.

*could have it
both ways -*

These four offices expended a total of on these 20 KIQs. This represents 31% the total KIQ related expenditures for these offices and 17% of their aggregated O&M budgets. OCI as expected accounted for 64% of the O&M dollars expended on these 20 KIQs.

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This looks like a reasonable trend in office expenditures for the types of problems addressed in Objective IV.

Q. (d) Why was less than 1% of CRS's activity during the year considered to be KIQ related?

A. CRS and the Cartography Division in OGCR are essentially support type units important to the production process but a vast majority of their activities do not fit into the KEP production report.

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office, the analysis showed an expenditure of less than 1% on CRS finished intelligence reports directly related to KIQs. This is a reasonable expectation when the primary mission of reference service and the mix of CRS's activities are considered.

No

Q. (c) Why were nearly half of all CIA KIQ production expenditures made by DDS&T with only 1/3 of CIA's production resources?

A. It is not possible to directly correlate dollars and manpower in some intelligence production environments. It naturally costs the DDS&T, particularly OWI, more to get their product because of the need for contractor assistance. It would be prohibitive from a dollar and manpower standpoint to develop in-house capabilities to do the complex systems research for which they are charged. The OSI and DDI research operations are heavily in-house analyst-oriented. The OWI expenditure of about 30% of the production offices total is a very understandable break out of Agency production costs for major S&T research.

Q. (b) Why were 1/2 of CIA's KIQ production expenditures concentrated on slightly more than 1/3 of the KIQs?

A. A detailed analysis is unnecessary to make the point that "some KIQs cost more to produce on than others." The DDS&T spent 49% of their O&M dollars on 10 KIQs for which each consumed The remaining 12 KIQs for which OWI registered a production cost amounted to 7% of their production expenditures. why?

The DDI produced on 91% of the KIQs and spent 53.5% of their O&M dollars.

The high cost intelligence research on foreign weapons systems which are covered by relatively few KIQs accounts for the bunching of dollars. (Also see the comments on Question c.)